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UNCLAS SECTION 01 OF 02 BRIDGETOWN 000243

SENSITIVE  
SIPDIS

SANTO DOMINGO FOR ROBERT JONES

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TAGS: [ETRD](#) [XL](#) [PGOV](#) [KCRM](#) [PREL](#) [INRB](#)  
SUBJECT: SAINT LUCIA: ECONOMIC PROMISE AND PITFALLS

#### Summary

¶1. (U) The economy of St. Lucia is suffering from a decline in tourist arrivals, but the consensus is that the country is on the right path and should do well when the global economy recovers. American businesses see potential for their investments in St. Lucia, but believe the government needs to take steps to address Export Fees, Bond Issues and the Alien Land Tax. Alternative energy is emerging as a potential growth industry, with minor obstacles remaining before significant progress can be made. End Summary

#### ----- Alternative Energy Opportunities -----

¶2. (U) Lucelec, the electrical utility on St Lucia, is planning to expand its renewable energy offerings according to Cornelius Edmund, the System Planning Engineer. Lucelec currently relies exclusively on diesel oil to provide electricity. St. Lucia generates 54 megawatts of electricity a year with 9 diesel engines supplying 1 power station. Edmund believes that the high cost of oil during 2007-2008 provided an incentive to shift to more alternative energy sources, but the current low price is having the opposite effect. Environmental concerns are important, but cost is driving the discussion.

¶3. (U) Edmund assured poloffs that wind farms are planned to go up by the end of 2009 and should initially produce 6 megawatts, with the ability to double that within a few years. The land has been scouted, but not yet purchased. Land is the major impediment to development of wind farms, as no tourist hotel wants to be in viewing range of a wind farm. According to Edmund, photovoltaics are under discussion, but the lack of a legal framework to sell electricity back to the grid has stalled development. Geothermal has a projected capacity of 12 megawatts, but the most promising location is in UNESCO protected land, and UNEC, a Canadian firm has initial rights of development. Biomass, using old tires, banana stems and other agricultural waste is also under consideration.

¶4. (U) Edmund said Lucelec is planning to add 40 megawatts over the next 15 years to meet the expected demand of 75 megawatts, in addition to replacing aging equipment. St. Lucia has the 2nd cheapest electricity in the region, but costs are still very high and are an obstacle to manufacturing.

¶5. (U) CARILEC, the regional association of Electric Utilities, agrees with the need to push for alternative energy solutions. The association provides training workshops and conferences, publications, and benchmarking studies for the 33 member utilities. According to Nigel Hosein, the

Executive Director, the small electricity footprint of the region prevents economies of scale. The whole region uses approximately 7000 megawatts of power. 3000 in Puerto Rico, 1500 in Trinidad and Tobago, 700 in Jamaica, 200 in Barbados, and much smaller amounts in the rest of the EC. Hosein believes that these amounts are too small to attract much interest from major suppliers despite the potential for solar, wind, geothermal and waste energy. Solar water heaters are used throughout the region, but only to provide hot water, not electricity generation.

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Investment Promotion  
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16. (U) O'Donavan Yarde, Director of the St. Lucia National Development Corporation (NDC) told polooffs in a recent meeting that the NDC is pitching St. Lucia as an attractive location for foreign investments, in the fields of education and creative expression in an attempt to capitalize on the most promising sectors identified by EPA directives. The NDC welcomes foreign educational institutions and pointed to the success of Monroe College, a New York-based school that offers undergraduate degrees to St Lucian nationals and has just recently added an MBA program. Yarde noted that the whole Eastern Caribbean has a paltry number of universities, with the University of the West Indies being the biggest regional university. There are a number of foreign medical schools throughout the region, but no four-year colleges other than UWI. The most ambitious students matriculate to the U.S., Canada and the UK instead of staying in the region and contributing to growth at home. Distance learning

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programs are successful, but according to Yarde what would be most welcome would be the entry of an ITT Tech or Devry type of technical school to offer more practical skills training.

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AmCham Scoop - Potential, but Obstacles Remain  
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17. (U) Members of the newly formed St. Lucia-American Chamber of Commerce told us recently that the main issues that concern the group are Export Fees, Bond Issues and the Alien Land Tax. Export fees are \$37 USD plus 5 percent of the value of any good that needs to be sent out of St. Lucia. This makes it very difficult for stores to return defective or unpopular merchandise, or to hold product shows. According to those involved in the jewelry trade, it is relatively easy to skirt these regulations, but it is a hassle. The Alien Land Tax requires foreigners to obtain a 'Character Certificate' from the local police in their place of residence and to undergo due diligence on their finances and state of affairs. The problem is not the requirements but the fact that it can take anywhere from six months to two years to finish. This lengthy process makes buying or selling real estate to a foreigner very difficult to manage.

18. (U) Bond issues are a government required-insurance system to compensate for paying duty if a good is sold locally. Duty is not collected at the point of sale, but is paid up front. Insurance is required as well as 70 percent in cash for the duty on current assets. This has the greatest impact on local businesses that do not have access to the tourist duty free market. This was in comic display as the President of Harry Edwards Jewelers informed us that upon reporting a robbery of a \$10,000 watch, the first comment from the police was that he would have to pay duty on that item. And indeed he would, unless he could prove that the thief was a tourist, and that he took the merchandise out of the country.

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Comment  
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19. (U) St Lucia is an ideal location for solar and wind power and, with a moderate investment, could become an environmentally friendly country with great public relations benefits for the tourist sector. The low price of oil is muting enthusiasm, but price stability, environmental concerns, and the preservation of foreign currency should provide the incentive to move forward. The economy is flagging and will continue to do so as long as tourist arrivals are scarce, but the country appears to have set a broadly business friendly course for the foreseeable future. Despite the usual customs related woes cited by locals, most investors remain upbeat about prospects in St. Lucia. End comment  
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